

ADMINISTRATIVE-INTERNAL USE ONLY

OGC Has Reviewed

23 NOV 1977

Executive Registry
77-2924

DD/A Registry
77-6205

MEMORANDUM FOR: Director of Central Intelligence

FROM : John F. Blake
Acting Deputy Director of
Central Intelligence

DD/A Registry

SUBJECT : Voluntary Investment Plan

File Personnel-17

1. Action Requested: None. This is for information only and is in response to your desire to know why, as the DCI, you are required to approve appointments to the Board of Trustees of the Voluntary Investment Plan (VIP) and to your question as to whether or not you should distance yourself from the Plan on the basis that it might otherwise appear that you have a personal interest in VIP's success.

2. Background: For many years, the Agency has emphasized to its personnel the need to have long-range plans for retirement. In light of this, the Voluntary Investment Plan was instituted with a goal of enabling employees to invest, voluntarily and over the long term, a portion of their salaries with a view to providing a supplement to their eventual retirement annuities.

The VIP is a qualified pension plan - qualified by the Internal Revenue Service (IRS) - and as such operates under the legal restraints applicable to such pension plans. It is a separate and distinct plan, and is not a part of the CIA Retirement and Disability System (CIARDS) or the Civil Service Retirement System. The plan permits participants to invest regularly (i.e., by payroll deduction) in a tax-sheltered medium. There are no employer contributions; employee contributions are the sole input to the Plan.

The VIP was established by the Agency under a formal Trust Agreement between the Agency and the Board of Trustees. The Board of Trustees, appointed by the Director, is composed of six senior officers from the major components; the Trustees administer the VIP under a formal statement of Terms and Conditions. The six trustees serve three-year, overlapping terms; two of the six rotate each year. They are charged with the responsibility for prudent investment of the contributions of the participants in the VIP as well as with a responsibility to investigate other investment options in order to provide a

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safe and effective medium of investment for the benefit of the members.

We have attached, for your information, a copy of the Trust Agreement between the Agency and the Board of Trustees of the VIP concerning the establishment of the VIP. Paragraph 3 of the Trust Agreement specifies that the Board of Trustees shall consist of six employees appointed by the DCI; that the DCI shall designate one of the Trustees as the Chairman of the Board; and that the DCI may remove any Trustee at any time and that upon such removal or upon the resignation of any Trustee, the DCI shall appoint a successor Trustee who shall serve for the remainder of the term of the Trustee he succeeds.

The Trust Agreement provides for its amendment by mutual consent of CIA and the Board. It also provides that CIA may terminate the Plan at any time. The Trust Agreement states that the legal title, ownership and control of all assets of the Trust shall be and remain with the Board except that a member shall be entitled to receive distributions as and when lawfully made under the Terms and Conditions.

The Plan is a creature of the Agency; it was established by CIA and it may be terminated by CIA. The VIP reimburses the Agency for the expenses (personnel, computers, postage, etc.) involved in the administration of the Plan.

In order to join VIP a prospective member must be a U. S. citizen participating in either CIARDS or the Civil Service Retirement System and have been employed by the Agency for at least one year. The one-year service requirement may include time served on detail to CIA from another government agency or from one of the military services. Contract personnel and part-time personnel also may participate provided they meet the foregoing conditions.

VIP offers two funds at the present time. Both seek long-term growth, one through investment in equity securities (Growth Fund), the other through the compounding of a high rate of interest combined with safety of principal (Income Fund.)

The Growth Fund is currently invested in shares of the Johnston Mutual Fund and the T. Rowe Price Growth Stock Fund, two no-load mutual funds which are invested in a broad spectrum of the American economy.

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The Income Fund is invested in the general portfolio of the Connecticut General Life Insurance Company under an investment contract providing a guarantee of principal and a guaranteed annual minimum interest rate determined by Connecticut General at the beginning of each year. Connecticut General's investment portfolio is invested primarily in high yield commercial mortgages and privately placed bond issues.

Once an investment institution has been selected by the Board of Trustees of the VIP, neither the Agency nor the VIP is involved in the day-to-day management of VIP assets. Contributions of the participants are sent to the two mutual funds and to Connecticut General where they are merged with the contributions of other investors. Investment decisions are made entirely by officers in these companies based on their own analyses and studies. The Agency provides no information whatsoever to the managers of these entities.

3. Staff Position: According to the Trust Agreement between the Agency and the Board of Trustees, the Director is required to appoint Trustees to the Board. There is no provision to delegate this authority.

We see no reason for you to have to distance yourself from the Plan. Although you approve nominations, you do not initiate them. From an institutional point of view, you will be interested in its success in meeting its stated goal, but this could not be construed as being in furtherance of your personal interests.

In view of the foregoing, we see no reason why you should not continue to approve nominations to the Board of Trustees of the VIP.

4. Recommendation: It is recommended that you continue to approve nominations to the Board of Trustees of the VIP.

[/S/John F. Blake]

John F. Blake

Attachment

Distribution:

Original - Addressee
1 - A/DDCI
1 - ER
2 - A/DDA
1 - D/Pers
2 - C/RAD (1 w/h)

OP/RAD/[] (22 November '77)

TRUST AGREEMENT FOR ESTABLISHMENT OF A GOVERNMENT EMPLOYEES VOLUNTARY
INVESTMENT PLAN

THIS AGREEMENT AND DECLARATION OF TRUST, made this 21st day of February 1970 by and between the Central Intelligence Agency, hereinafter referred to as "CIA", and the Board of Trustees of the Voluntary Investment Plan, hereinafter referred to as the "Board".

WITNESSETH:

1. CIA hereby establishes a plan for savings and investment by certain of its employees in order to provide additional and more flexible retirement and related benefits for those employees who desire to participate in the plan. This plan shall be known as the "Voluntary Investment Plan", hereinafter referred to as the "Plan", and shall constitute an employees' pension trust, separate and apart from the CIA Retirement and Disability System and the Civil Service Retirement System.

2. The Plan shall be maintained and administered by a Board of Trustees who shall invest the money in the Plan and make payments to participants or their beneficiaries in accordance with the Terms and Conditions of the Plan, hereinafter referred to as the "Terms and Conditions". The powers conferred upon the trustees can be exercised by the concurrence of a majority of them.

3. The Board shall consist of six employees appointed by the Director of Central Intelligence for terms of three years, except that the Director shall appoint two of the original trustees for terms of one year and two of them for terms of two years. The Director shall designate one of the trustees to be Chairman of the Board. The Director may remove any trustee at any time and upon such removal or upon the resignation of any trustee, the Director shall appoint a successor trustee who shall serve for the remainder of the term of the trustee he succeeds.

4. All expenses of this trust and the expenses of administering the Plan shall be paid by CIA but, to the extent that such expenses may not be paid by CIA, they shall be a charge against the Plan and shall be paid by it. Expenses relating to a particular Savings Fund of the Plan may be charged against such fund as if it were a separate trust.

the Plan in accordance with the Terms and Conditions and shall pay the same to the Board or its designees.

6. CIA may terminate the Plan at any time; and in that event, the Board will liquidate the assets of the Plan and will distribute the proceeds among the members and beneficiaries or will distribute the assets in kind as provided in Article 7 of the Terms and Conditions.

7. The legal title, ownership and control of all assets of the trust shall be and remain with the Board, and neither the employer nor any member shall have any estate therein, except that a member shall be entitled to receive distributions as and when lawfully made under the Terms and Conditions.

8. This agreement may be amended by mutual consent of CIA and the Board, but no amendments may be made which will diminish the equity the participating member has theretofore acquired in the Plan.

9. This trust shall be governed by and construed in accordance with the laws of the State of Virginis.

10. The Board accepts this Declaration of Trust and agrees to administer the trust in accordance with the provisions hereof.

IN WITNESS WHEREOF, CIA and the Board of Trustees have caused this agreement to be executed as of the day and year first above written.

CENTRAL INTELLIGENCE AGENCY

/s/
Richard Helms, Director

Approved and accepted by the undersigned who constitute in its entirety the Board of Trustees of the Government Employees Voluntary Investment Plan as of the date of this Trust Agreement:

/s/
Edward L. Allen, Chairman

/s/
STATINTL

STATINTL

/s/
STATINTL

/s/
John M. Clarke

/s/
STATINTL